



United States
Department of
Agriculture

Food and
Nutrition
Service

Mountain
Plains
Region

1244 Speer Boulevard
Denver, CO 80204

SEP 15 1994

Reply to
Attn. of: SP 94-78

Subject: Revised Pages to 1993 Coordinated Review Guidance and Final Version of Follow-up Review Guidance

To: STATE AGENCY DIRECTORS - Colorado ED, Iowa, Kansas, Missouri ED,
(Child Nutrition Programs) Montana OPI, Nebraska ED, North Dakota,
South Dakota, Utah and Wyoming ED

Attached please find revised pages to the 1993 Coordinated Review Guidance which are a result of questions, comments and suggestions that were made during the first year of use. They are intended to clarify or correct previously issued guidance. We have provided the following revised pages that highlight where the changes were made and a brief description of the changes:

Critical Areas:

- 3-17 - "which" changed to "that"
- fourth line from bottom - removal of "10%"
- 3-22 - Under Nonsystemic - addition of sentence beginning
"Additionally, if it is....nonsystemic."
- 3-24 - same as on 03-22
- 3-25 - Under General Comments - "a significant number...At a minimum,
20% of the **total lunches served should be observed.**"
- 3-26 - "which" changed to "that"
- middle of page - "After...served, **the observation should include...**"
- 3-27 - Under 305, second paragraph - "At a...observed.
The observation must include lunches from each type of serving line."

Statistical Sampling:

- 5-1 - first paragraph - "In addition, if...review **resulted in a 5% or greater error...**"

Fiscal Action:

- 7-3 - Overclaim Disregard - First sentence - **"in the same fiscal year"**
- 7-23 - No. 2 of the chart is rewritten

Appendix:

Contents Page

- 9-5 - New page heading
- Required Content - "explain...denied and/or payment withheld;"

Also attached are copies of the final version of Follow-Up Review Guidance, including fiscal action and withholding payments. The follow-up guidance has been included in Post Review, Section 6, pages 6-3 through 6-27. There have been no changes to the original pages 6-1 and 6-2, of this section; however, we have provided the entire section for your use. This Guidance focuses only on procedures for review of the critical areas that contributed to the review thresholds being exceeded. The scope of the follow-up review for problems identified in general areas and in critical areas not exceeding the threshold(s) must be determined by the State Agency. **Please note that we have not indicated what changes have been made from the draft version. This is because the Guidance is rewritten and expanded to such a degree that we have chosen not to highlight certain areas but encourage you to read it carefully and call us with any questions you may have.**

All additions and modifications to the Guidance will be effective beginning with the 1994-95 school year with the exception of the disregard guidance. The disregard information for administrative and follow-up review(s) provided on pages 7-3 and 6-21 within this final Guidance will be effective for reviews conducted after September 30, 1994.

If you have any questions, please contact our review unit at (303) 844-0355. We sincerely appreciate your continued assistance in this effort.

Ann C. DeGroat

ANN C. DEGROAT
Regional Director
Child Nutrition Programs

Attachments

ERRORS

A benefit issuance error exists when a student is listed on the benefit issuance document in an eligibility category other than the category for which approved, regardless of the correctness of the approval.

When an error is found in eligibility certification that is offset by an error in benefit issuance, neither error contributes to a Performance Standard 1 violation or results in fiscal action. For example, when a student is incorrectly approved for free benefits but should have been reduced price and is listed on the benefit issuance document as reduced price, there is no error in Performance Standard 1 that would result in fiscal action. However, since the student is listed on the benefit issuance document in an eligibility category other than the approved category, the error must still be included when determining the 5% error rate for benefit issuance.

If there are notable differences between the number of students counted from the eligibility documents and the number listed on the benefit issuance documents, attempt to determine the reasons for the difference. For example, the SFA/school may not have provided all of the eligibility documents resulting in a low count of eligible students.

As names are compared to eligibility certification documents, record errors on the **CERTIFICATION AND BENEFIT ISSUANCE ERROR WORKSHEET, S-5.**

**STUDENT
WORKERS**

Meals incorrectly counted and claimed for a group of students, e.g., student workers, may be identified at different points during the review process. The point at which the problem is identified will determine where the problem must be reported on the review form and the corrective action that is needed. For example, if the SFA/school provides an explanation that a student is listed as free or reduced price on the benefit issuance document(s) without supporting eligibility documentation because that student is part of a group, e.g., student workers, identify all of the students included in that group and record them as benefit issuance errors on the **CERTIFICATION AND BENEFIT ISSUANCE ERROR WORKSHEET, S-5.**

However, lunches served to a group of students, e.g., student workers, may be identified during review of the meal counting and claiming. For example, if the reviewer determines that the count is increased at the end of each day or week, etc., for meals served to student workers, a systemic problem exists in meal counting/claiming and must be addressed in Critical Areas of Review, S-3, 302 or S-4, 405.

**EVALUATING
THE
ACCURACY**

To determine if the review of free and reduced price names listed on the benefit issuance documents resulted in a 5% or greater error rate:

divide the number of free and reduced price names in error by the number of names reviewed;

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CRITICAL AREAS

S-2

round to 3 decimal places. However, .0495 through .0499 should be rounded to .049 in order that the 5% error rate will not occur as a result of rounding up; and

multiply by 100.

For example, if 7 students were identified with benefit issuance errors and 141 names were compared to the eligibility determinations,
 $7 \div 141 = .049 \times 100 = 4.9\%$.

If the error rate is 4.9% or less, no additional review is required. If the error rate is 5.0% or more, additional review is required. This review may encompass:

all of the students listed as free and reduced price on the benefit issuance documents; or

a statistically valid sample of students listed as free and reduced price on the benefit issuance documents.

If a statistically valid sample of names on the benefit issuance documents is reviewed, the Statistical Sampling procedures provided in this Guidance may be used. If these procedures are not used, the sampling procedures that are used must conform to those outlined in 7 CFR Part 210.18.

DAY OF REVIEW

PERFORMANCE STANDARD 1
COUNTING AND CLAIMING

GENERAL

COMMENTS Observe the counting, consolidating and recording of the daily meal counts. Any comments or recommendations for change to the procedures in place must be reserved until the conclusion of the observation in order to accurately evaluate the entire operation of the meal count system.

Refer to Meal Counting and Claiming Manual, FNS-270.

301.

OBSERVE THE
MEAL SERVICE

The observation of the meal service must include each point where meal counts are taken and should include, where possible, each food service line and cashier. If more than one counting procedure is used, observe each distinct procedure, e.g, check-off lists for grades 1 - 3, tickets for grades 4 - 8.

For each point of service or alternate, observe (as applicable):

how each cashier identifies and counts meals by category;

the on-line procedures used for charged, pre-paid and lost tickets;

how second meals served to students are counted; and

how a la carte and adult meals are counted.

DETERMINE
ACCURATE
COUNT

Determine if an accurate count is taken of each *eligibility category at each point of service or approved alternate*.

To be reliable, the count for each category must be based on the actual count of the students served, consistently yield accurate results, and provide a record of the numbers of free, reduced price and paid meals served daily.

VARIATION
OF NORMAL
PROCEDURES

If the reviewer determines that the procedures used by the school to obtain the meal count for the day of review were not those normally used, a description of the procedures used on the day of review should be recorded in the Comments section.

CRITICAL AREAS

S-3

NONAPPROVED

POINT OF

SERVICE

If the count is not taken at the end of the serving line, and the State agency did not approve an alternate location to a point of service count, answer NO to 301a. Determine if the count is taken at an approvable alternate point of service.

If the meal count is taken at an approvable alternate point of service, record this as a nonsystemic problem. Corrective action (need for approval) should be noted in the Comments section and the General Areas, G-3, Reporting and Recordkeeping, 902.

If the meal count is not taken at an approvable alternate point of service, record this as a systemic problem and note corrective action in the Comments section.

NONSYSTEMIC

If the contributing factors are unusual, not part of the normal operating procedure, and the system does not have to be changed to achieve accurate results, the error is nonsystemic. An example of a nonsystemic counting error is when the cashier punches the wrong button. Additionally, if it is determined by the reviewer that an error(s) occurred because the cashier was intimidated by the review process, the error(s) is nonsystemic.

Document all findings that support the conclusion of a nonsystemic meal counting problem in the Comments section.

SYSTEMIC

If any of the contributing factors are built into the process and would likely recur if the process is not changed, the error is systemic. The reviewer must determine the scope of the error by deciding if the same meal count procedures were in place for the review period and/or previous periods.

Document all findings that support the conclusion of a systemic meal counting problem in the Comments section.

Examples of poorly designed counting systems include:

Attendance/classroom count: An attendance or classroom count is the basis for the Claim for Reimbursement without any verification of actual reimbursable lunches served to students by type. An attendance/classroom count may be taken in the morning to give food service personnel an idea of how many meals to prepare, but that count must be verified, by type, at the point of service or approved alternate.

Tray count: This count cannot provide an accurate meal count by category and cannot ensure that reimbursable meals were served.

Category backout system: A count is not taken of all categories. One or more of the meal categories is calculated by subtracting the number of meals of one or more meal type (free, reduced price, or paid) from the total meal count to get a count of another meal type.

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Prepaid/charged meals counted on day paid: When students either prepay or charge their meals, these meals must be counted on the day that the student is served the meal, not on the day that the prepaid meal was purchased or the charged meal was repaid.

Visual identification without backup: Eligibility is determined based only on the cashier's or counter's visual identification and knowledge of the students' eligibility categories.

Ineligible persons claimed for reimbursement: Meals served to ineligible students, adults, or visitors are claimed for reimbursement.

A la Carte items claimed for reimbursement: Food items sold independently of the reimbursable meal and not priced as a unit are claimed for reimbursement.

Second meals claimed for reimbursement: Second meals served to students in any category are claimed for reimbursement.

REVIEWER
ASSISTANCE

It is essential the reviewer does not intervene or assist with the procedures used to count, combine and record the daily meal totals by type. An accurate evaluation of the meal count system can only be made if the reviewer remains detached from the process.

302.

Observe how meal counts from various cashiers are combined and recorded for the daily report after the end of the meal service. Validate the method that was used to obtain the meal count by type to report to the SFA. If different procedures were used by the school to obtain the consolidated counts of free, reduced price and/or paid students, validate each procedure used.

To validate, the reviewer must obtain a count using the same procedure as the food service worker, e.g., counting tickets in a ticket system or counting check marks in a roster check-off system. An automated system may be tested by manually performing some of the automated functions of the system.

STUDENT
WORKERS

In some cases, lunches served to a group of students, e.g., student workers not eligible for free or reduced price meals, may be identified during review of the meal counting and claiming. For example, if the reviewer determines that the free or reduced price count is increased each day or week, etc., to represent meals served to student workers, a systemic problem exists in meal counting/claiming.

COUNTS NOT
TAKEN DAILY

If counts of free, reduced price and/or paid students are not taken on a daily basis, this question must be answered NO. An example of counts not taken on a daily basis is when a student prepays for the week, and the student's lunches are counted on the day paid rather than the days they are actually served.

CRITICAL AREAS

S-3

DIFFERENCE IN COUNTS

If there is a difference between the validated count and the school's combined count, the reviewer must determine the factors that contributed to the combining and recording error.

NONSYSTEMIC If the contributing factors are unusual, not part of the normal operating procedure, and the system does not have to be changed to achieve accurate results, the error is nonsystemic. An example of a nonsystemic combining/recording error is when the cashier transposes a number or enters a count in the wrong column. Additionally, if it is determined by the reviewer that an error(s) occurred because the cashier was intimidated by the review process, the error(s) is nonsystemic.

Document all findings that support a nonsystemic combining and recording problem in the Comments section.

SYSTEMIC If any of the contributing factors are built into the process and would likely recur if the process is not changed, the error is systemic. To determine the scope of the error, review previous daily consolidation results from the review period and/or previous periods.

Document all findings that support a systemic combining and recording problem in the Comments section.

CLERICAL ERRORS

A nonsystemic or systemic combining and recording problem may be due to clerical errors. The determination of the type of error should be based on an examination of internal controls, the magnitude of the error, and the ability of the school to generate accurate daily counts over a period of time.

303. Fiscal action is required when lunches have been incorrectly claimed due to counting, combining and/or recording problems, regardless of whether the problem was identified as nonsystemic or systemic.

If an inaccurate count is taken of the free, reduced price or paid lunches, attempt to identify the number of lunches incorrectly counted, determine the affected periods and obtain the number of lunches claimed by the SFA for this school for the affected claim periods. If the reviewer is unable to identify the number of lunches incorrectly counted and claimed, the required fiscal action is recalculation of meal counts.

In most cases, fiscal action for a nonsystemic problem on the day of review will be limited to a correction of the day's count by category.

Fiscal action for a systemic problem must address the scope of the counting/claiming problem. Investigate and determine the date the problem first occurred. The required fiscal action is recalculation of meal counts when the reviewer is not able to identify the actual number of lunches incorrectly counted and claimed.

Corrective action is required for all nonsystemic and systemic problems identified, even though the problems did not result in lunches being claimed incorrectly.

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PERFORMANCE STANDARD 2
MEAL COMPONENTS

GENERAL

COMMENTS Lunches claimed for reimbursement within the school food authority must contain food items/components as required by Program regulations.

On the day of review, the reviewer must observe:

the serving line(s) to determine whether all required food items/components are offered. This observation should include food items/components that are available at the beginning, middle and end of the serving time for each type of line; and

a significant number of the Program lunches counted at the point of service for each type of serving line, to determine whether those lunches contain the required number of food items/components. At a minimum, 20% of the total lunches served should be observed.

Refer to Meal Pattern Requirements and Offer Versus Serve Manual, FNS-265.

MISSING FOOD
ITEM/COMPONENT

304. A problem exists when the number of food items/components included on the serving line is deficient or when the school runs out of a required item prior to the end of the meal service. Even if the school has offer versus serve, all meals served under these conditions are not reimbursable.

If a food item/component is missing, the school should be advised and given the opportunity to add the food item/component before the lunch service begins.

If the missing food item/component was added before the lunch was served, answer YES to question 304a. and describe the situation in the Comments section. This will allow the SFA to evaluate menu planning/preparation procedures without requiring fiscal action. In addition, the lunches are not included to determine if the Performance Standard 2 threshold is exceeded.

If a food item/component is missing, the number of nonreimbursable lunches is counted toward a Performance Standard 2 violation, and fiscal action must be taken.

ONE MENU
OFFERED

If only one menu was offered and the missing item/component was not added before the lunch service began, obtain the meal count by type (free, reduced price and paid) for the day. Complete the SCHOOL WORKSHEET FOR MENU MISSING ITEM/COMPONENT, S-7, Day of Review, and record the number of nonreimbursable meals on SCHOOL DATA, S-1, block 18.

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CRITICAL AREAS

S-3

TWO OR MORE MENUS

OFFERED

If the school offers two (2) or more menus and only one (1) was deficient, determine the number of meals that was nonreimbursable. This may be accomplished by:

observing and counting the number of students who selected the menu that did not offer all of the required food items/components;

observing and counting complete and incomplete lunches for a period of time, then calculating the percent of lunches that were missing the item/component. This percent can then be applied to total meals reported for the day as reimbursable to determine the number of nonreimbursable meals;

obtaining, from the cashier, the actual number of meals served that was missing the item/component. This is possible in an automated system that tracks the number of meals served by food item; or

referring to the production records for the day, linking the ineligible meals to a particular food item, e.g., meat/meat alternate as a common base of comparison, and obtaining the percent of total meals containing the particular food item that were deficient. This percent can then be applied to total meals reported for the day as reimbursable to determine the number of nonreimbursable meals.

ITEM/COMPONENT NOT AVAILABLE THROUGHOUT

MEAL SERVICE

After the meal service begins, observe the serving lines to determine if all required food items/components are available throughout the meal service. While it is not necessary to observe 100% of the meals served, the observation should include the food items/components that are available at the beginning, middle and end of the serving time for each type of line.

If all food items/components are not available throughout the meal service to all students participating, use the best information available to determine the number of nonreimbursable meals that was served. This may be accomplished by:

observing and counting the number of students who selected the menu that did not offer all of the required food items/components;

asking the cashier to provide the actual number of meals served. This is possible when meal counts at any point in time can be determined. For example, if the cashier(s) had a meal count of 175 prior to the school running out of the item/component and a total of 200 meals had been counted for the entire meal service, 25 meals would be nonreimbursable; or

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estimating the number of nonreimbursable meals based on the percent of serving time the item/component was missing. For example, if the meal service time is one (1) hour long and the school ran out of the item/component 15 minutes before the end of the serving time, the meals were missing the item/component for 25% of the time, therefore, the reviewer(s) could estimate that 25% of the total meals served were missing the item/component and were nonreimbursable.

Using the best information available, determine the number of meals that was missing a food item/component and record on the SCHOOL WORKSHEET FOR MENU MISSING ITEM/COMPONENT, Day of Review, S-7 and SCHOOL DATA, S-1, block 18.

**DEFICIENT MENU
SERVED IN OTHER
SCHOOLS**

If the deficient meals were a result of a central menu used in some or all of the schools in the SFA, or were prepared in a central kitchen serving some or all of the schools in the SFA, the number of meals missing the food item/component for all of the affected schools must be determined and recorded on OTHER MEAL CLAIM ERRORS - FISCAL ACTION REQUIRED, S-8. These nonreimbursable meals will not affect the Performance Standard 2 threshold for the SFA.

Fiscal action must be taken for all lunches throughout the SFA that were identified as missing a food item/component.

**INSUFFICIENT
QUANTITY**

If the quantity served appears to be insufficient to meet meal pattern requirements, it is a General Areas of Review violation, G-1, Meal Patterns, 601. Refer to General Areas Guidance, G-1, page 4-4.

305.

The reviewer must observe lunches served to determine whether the system used by the school ensures that students are offered or selecting the required number of food items for the meals to be claimed for reimbursement.

At a minimum, 20% of the total lunches served should be observed. The observation must include lunches from each type of serving line.

Lunches that were identified in question 304 as missing a food item/component because of a planning or preparation deficiency must not be included in the number of student lunches observed since they have already been classified as nonreimbursable.

Tally the total number of lunches observed and the number incomplete. Record on S-1, block 19.

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CRITICAL AREAS

S-3

Question 304a is intended to evaluate the menu planning/food production of lunches served to be claimed for reimbursement. Procedures for question 305a include observation of student lunches to determine if all required items/components are selected. If a deficient menu was identified in 304a, it is still necessary to observe the meal service to determine if other meal pattern compliance problems, including implementation of offer versus serve, also exist.

If any lunches contain fewer than the number of items required, describe the extent of the problem in the Comments section. Do not tally or record the number of observed lunches missing an item/component on S-1, block 19 if these nonreimbursable lunches have already been identified as part of the deficient menu on S-1, block 18.

ELIGIBILITY CERTIFICATION AND BENEFIT ISSUANCE SAMPLING

GENERAL INFORMATION

In large schools, or in larger SFAs with centralized application approval, statistical sampling can be used to reduce the number of applications that must be reviewed under Performance Standard 1. In addition, if the benefit issuance review resulted in a 5% or greater error rate, statistical sampling may be used instead of the 100% review.

Statistical sampling provides valid results only when the universe sampled is large and the sample is obtained using valid procedures. For this reason, a small universe (100 or fewer applications), requires a 100% review.

Since a statistically valid sample tests only a portion of the universe, any errors found in the sample must be projected to determine the total number of errors in the universe. The Performance Standard 1 violation thresholds and fiscal action are computed using the projected errors.

DIRECT CERTIFICATION

ELIGIBILITY DETERMINATION UNIVERSE

When it is not reasonable to separate students approved through direct certification from students approved by applications, the students approved through direct certification can be included in the universe. This situation may occur when the official direct certification documentation is on an individual (household or student) basis and is filed with the applications, i.e., a separate file of direct certifications is not maintained. Direct certifications included in the universe are considered applications in the following instructions.

BENEFIT ISSUANCE UNIVERSE

Students approved through direct certification are always included in the benefit issuance universe to be sampled.

SAMPLE SIZE CHART

UNIVERSE	SAMPLE SIZE	UNIVERSE	SAMPLE SIZE
1-100	ALL	1251-1500	420
101-619	50%	1501-1750	440
620-700	310	1751-2000	460
701-800	335	2001-3000	490
801-900	355	3001-4000	520
901-1000	380	4001-5000	535
1001-1250	400	5001 +	550

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STATISTICAL SAMPLING

ELIGIBILITY CERTIFICATION

Use the chart and procedures below to select the eligibility certification sample:

A. TOTAL APPLICATIONS (UNIVERSE)	B. SAMPLE SIZE	C. SAMPLE INTERVAL (A ÷ B)	D. RANDOM START POINT - FIRST APPLICATION

Put all of the free and reduced price applications for the review period in a single pile. The applications may be kept in categories, but put them in one pile.

- Record the S-1, block 13 count of eligibles in A. when that count was based on single child applications. In any other case, count the total number of applications, not students on the applications, and record the number of applications in A.
- Use the Sample Size Chart on page 5-1 to determine the sample size that must be obtained and record in B.
- Divide A by B to determine the size of the sampling interval. Round all fractions down to the nearest whole number, i.e., $3.99 = 3$.
- Select the method that will be used to determine a random starting point, using the guidelines on page 5-3, and record the first application selected in D.

Review the application and record any errors on the CERTIFICATION AND BENEFIT ISSUANCE ERROR WORKSHEET, S-5. If more than one name is on the application, record only the names of students with access to the NSLP at the reviewed school. Use the sample interval from C. and review subsequent applications, recording the errors on the CERTIFICATION AND BENEFIT ISSUANCE ERROR WORKSHEET, S-5.

BENEFIT ISSUANCE

Use the chart and procedures below to select the benefit issuance sample:

A. TOTAL BENEFIT ISSUANCE NAMES (UNIVERSE)	B. SAMPLE SIZE	C. SAMPLE INTERVAL (A ÷ B)	D. RANDOM STARTING POINT (FIRST NAME)

- Count the number of names of students receiving free and reduced price meals on the benefit issuance document, including the names already reviewed under the 10% sample. Record in A.

TIMEFRAMES The scope of fiscal action is determined by the start date of the error and the date of corrective action. Specific information on the beginning and ending dates for fiscal action is included in this *Guidance*.

PARTICIPATION FACTORS The average daily participation factors used for calculating fiscal action are those recorded on S-1, block 16, except where these factors are in error. This includes:

schools that are subject to recalculation. For these schools use the participation factors developed for recalculation;

schools with combining errors in counts that were used to determine the participation factors recorded on S-1, block 16. The participation factors used for calculating fiscal action must be based upon corrected counts; and

schools with a participation factor in excess of 1.00. Participation factors in excess of 1.00 may not be used to calculate fiscal action since their use would result in excess recoveries. When a participation factor recorded on S-1, block 16 exceeds 1.00, use 1.00 when calculating fiscal action.

When correct ADP factors for the school are not available, refer to *Fiscal Action Guidance, Participation Factors, page 7-20*.

FISCAL YEAR INTEGRITY Fiscal action that includes two fiscal years must be calculated separately for each fiscal year.

OVERCLAIM DISREGARD If the total school food authority overclaim from all Coordinated Review activity conducted in the same fiscal year does not exceed \$600.00 per program (NSLP, SBP, SMP), the State agency may disregard the overclaim. However, no overclaim is to be disregarded where there is substantial evidence of violations of criminal law or civil fraud statutes. When the disregard is used, FA-1 for the reviewed school(s) and FA-6 through line 13 for the school food authority must still be completed.

**REPORTING
ADJUSTMENTS
ON THE
FNS-10**

All revisions to meal counts based upon Coordinated Reviews must be reported on the FNS-10. In order to establish proper documentation for any adjustments, State agencies must report revisions on the FNS-10 that reflect the adjustments made by the school food authorities. For example, if a State agency requires a school food authority to submit a revised Claim for Reimbursement for each month in error, the State agency must submit a revised FNS-10 for each month. If the State agency permits a school food authority to submit a single revised claim for an entire fiscal year, the State agency may submit a single revised FNS-10.

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CERTIFICATION AND BENEFIT ISSUANCE ERRORS

GENERAL

COMMENTS There are three major classifications of errors that require fiscal action under this category:

eligibility certification errors;

benefit issuance errors; and

updating eligibility errors.

Fiscal action is taken when students incorrectly received free or reduced price meals as a result of these errors. All meals subject to fiscal action under the category are credited for the full Section 4 reimbursement.

INFORMATION

SOURCES The following forms and information will be needed to complete fiscal action for certification and benefit issuance errors:

CERTIFICATION AND BENEFIT ISSUANCE ERROR WORKSHEET(S), S-5; and

corrective action response from the school food authority.

The following Fiscal Action Aids may be helpful in completing fiscal action for certification and benefit issuance errors:

FAA-1, Compute Days in Error; and

FAA-2, Total Lunches for Students with Actual and Estimated Participation.

ELIGIBILITY

CERTIFICATION

ERRORS

The three types of eligibility certification errors requiring fiscal action are:

applications missing social security number or adult signature;

applications missing other required information; and

miscategorized applications.

MISSING SOCIAL SECURITY NUMBER OR ADULT

SIGNATURE

Students whose applications are missing the signature of an adult household member or a required social security number must be initially classified as ineligible. When the

**CERTIFICATION AND BENEFIT ISSUANCE ERRORS
IN SCHOOLS WITH RECALCULATION**

CHART 2

**CERTIFICATION
AND BENEFIT
ISSUANCE
(C&BI) ERRORS**

FULL RECALCULATION			PARTIAL RECALCULATION
USING ANY PARTICIPATION FACTOR EXCEPT FIX AND APPLY	USING COUNT OF ELIGIBLES TAKEN AFTER CORRECTING C&BI ERRORS	USING FIX AND APPLY	
1. Recalculate; and 2. Calculate fiscal action for all certification errors including students approved by direct certification.	1. Recalculate; 2. Calculate fiscal action for both C&BI errors for any student whose eligibility did not change after the C&BI error(s) was corrected; and 3. Calculate fiscal action for any C&BI error(s) that was not corrected before the participation factors (Fix and Apply) or participation rates (Partial Recalculation) were developed.		

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**MEAL COUNT, COMBINING AND MENU MISSING ITEM/COMPONENT ERRORS
IN SCHOOLS WITH RECALCULATION**

CHART 3

	FULL RECALCULATION	PARTIAL RECALCULATION
COUNTING AND COMBINING ERRORS	<ol style="list-style-type: none"> 1. Recalculate; and 2. Do not calculate fiscal action for counting and combining errors in recalculated periods. 	<ol style="list-style-type: none"> 1. Correct the meal counts for the counting or combining error; and 2. Recalculate using the corrected meal counts.
DEFICIENT MENU	<ol style="list-style-type: none"> 1. Recalculate; and 2. Use the actual counts of disallowed meals to calculate fiscal action for the menu deficiency. 	
ACTUAL COUNTS OF DISALLOWED MEALS		
ENTIRE DAY DISALLOWED	<ol style="list-style-type: none"> 1. Recalculate; and 2. Calculate fiscal action on the number of meals which results from dividing each recalculated meal count, by category, by the number of days in the claim period. 	<ol style="list-style-type: none"> 1. Recalculate; and 2. Multiply the school's total count for the day by the participation rates used in the partial recalculation.
MULTIPLE MENU DAYS	<ol style="list-style-type: none"> 1. Recalculate; and 2. Calculate fiscal action on the number of meals which results from using the recalculated meal counts to recompute the number of meals with the menu deficiency. 	<ol style="list-style-type: none"> 1. Recalculate; and 2. Recompute the meal disallowance using the corrected category counts for the day.

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**LETTER OF CLAIM ADJUSTMENT AND/OR WITHHOLDING OF PAYMENT
INCLUDING NOTICE OF APPEAL**

GENERAL

COMMENTS This letter must be sent by certified mail, return receipt requested.

The required and suggested content is as follows:

**REQUIRED
CONTENT**

explain in detail why all or a part of the Claim for Reimbursement has been denied and/or payment withheld;

include a statement indicating that the school food authority may appeal through State appeal procedures for State agency reviews;

enclose a copy of 7 CFR 210.30(d)(3) of the regulations for appeals of FNS reviews;

**SUGGESTIONS
FOR ADDITIONAL**

CONTENT

date of review;

appreciation for response to review findings;

statement of claim adjustment amount, including meal count adjustments, how it was determined, and the basis for the claim;

State agency recovery procedures; and

name and telephone number of State agency contact person.

Revised September, 1994

NOTIFICATION LETTER OF POTENTIAL DISREGARD OR DISREGARD

GENERAL

COMMENTS The disregard provision may be used if the total school food authority overclaim from an administrative review and all subsequent follow-up reviews does not exceed \$600.00 per program (NSLP, SBP, SMP).

This letter should be used when the claim amount is \$600.00 or less but the claim may increase because of subsequent review activity, e.g., incomplete corrective action or follow-up review, or when the State agency has completed all Coordinated Review activity and elects to disregard the overclaim.

SUGGESTED

CONTENT

date of review;

appreciation for response to review findings, if applicable;

statement of claim amount, how it was determined, and the basis for the claim; and

name and telephone number of State agency contact person.

Additional suggested content will vary as follows:

if the claim amount may increase because of subsequent review activity, e.g., incomplete corrective action or follow-up review, notification that a final decision cannot yet be made on the disregard; or

if all corrective action and follow-up review activity, if needed, has been completed, notification that the claim amount will not be recovered.

6. POST REVIEW CONTENTS

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ADMINISTRATIVE REVIEW EXIT CONFERENCE

REQUIRED ACTIONS

- ASSESSMENT** At the close of the administrative review, communicate the findings with the appropriate officials.
- CORRECTIVE ACTION** Provide a preliminary assessment of the actions needed to correct the violations.
- Discuss and define appropriate deadlines for completion of the corrective action.

SUGGESTED ACTIONS

- ASSESSMENT** Note which schools had findings and/or violations, and cite the causes and magnitude of deficiencies. Address the numbers and types of errors that were discovered, and provide a copy of the completed CERTIFICATION AND BENEFIT ISSUANCE ERROR WORKSHEET(s), S-5, for use in identifying the eligibility certification, benefit issuance, and updating eligibility errors.
- Acknowledge the cooperation of all persons involved in the review process, and inform the school food authority as to when they can expect to receive the notification letter reporting review results.
- CORRECTIVE ACTION** Allow for school food authority input on corrective action approaches that will achieve the desired result.
- Offer technical assistance for deficiencies cited.
- Explain that corrective action establishes the extent of the fiscal action taken, and stress the importance of implementing corrective action in a timely manner.
- Explain that withholding of payments will result if corrective action is not taken.
- FISCAL ACTION** Explain how fiscal action will be calculated. At the State agency's option, a potential claim amount may be discussed.
- APPEAL RIGHT** If appropriate, explain the school food authority's right of appeal.

**POST REVIEW
CORRECTIVE ACTION**

CORRECTIVE ACTION

GENERAL

COMMENTS

The State agency must provide a preliminary assessment of the actions needed to correct the violations. This assessment should be based on discussions of corrective actions and technical assistance at the school food authority/school levels.

Problems identified must be corrected system-wide. Therefore, effective corrective action must be taken by the school food authority in all schools and Programs, not just those reviewed.

Corrective actions are those actions that are taken by a school food authority to correct any degree of violation in the Critical and General Areas of Review. Additionally, if during the course of the review, a Program violation is identified that is outside the scope of Coordinated Review, corrective action would also be required.

Documentation of corrective action is required for any degree of violation in either the Critical or General Areas that are identified during an administrative review or on any follow-up review. Documented corrective action should also include any Program violations identified outside the scope of Coordinated Review.

Unless documented corrective action is provided at the time of the review, the school food authority must send written notification to the State agency certifying that the corrective action required for each violation has been completed, and notify the State agency of the dates of completion.

The State agency will make the determination as to when a problem is satisfactorily corrected.

TIMEFRAMES

The State agency must establish appropriate timeframes for the school food authority for each problem requiring corrective action.

The State agency may extend these timeframes upon written request of the school food authority if extraordinary circumstances arise where a school food authority is unable to complete the required corrective action within the specified timeframes.

Documented corrective action must be postmarked or submitted to the State agency no later than 30 days after the established deadline(s) for completion of each required corrective action, or as otherwise extended by the State agency.

OVERVIEW

GENERAL COMMENTS

While the follow-up review is primarily the responsibility of the State agency, it may be conducted by either the State agency or FNS.

All school food authorities found to have exceeded the review threshold(s) are subject to a follow-up review. The State agency must notify FNSRO of the large school food authorities exceeding a review threshold(s). Refer to Critical Areas Guidance, SFA-1, page 3-3, for information regarding review thresholds.

State agencies must perform first follow-up reviews of all large (see definition on page 10-4) and at least 25 percent of the small (see definition on page 10-7) school food authorities where the review threshold(s) has been exceeded.

TIMING

First follow-up reviews must be completed no later than December 31 of the school year following the administrative review.

State agencies are encouraged to conduct the first follow-up review in the same school year as the administrative review. This will ensure timely corrective action of violations, will usually result in a review of fewer documents, and may limit the amount of fiscal action.

REVIEW PERIOD

The review period must cover, at a minimum, the most recent month for which a Claim for Reimbursement was submitted, provided that the claim covers at least 10 operating days. However, when the first follow-up review is being conducted in the school year following the administrative review, the preceding month of operation may be the review period even if a Claim for Reimbursement has not been submitted. This provision may be utilized if:

- the review period covers at least 10 operating days;

- there was an adequate consolidating and claiming system at the school food authority level on the administrative review, i.e., SFA-1, block 3 was answered YES on the administrative review; and

- use of the most recent month for which a Claim for Reimbursement was submitted would not allow the State agency adequate time to conduct the first follow-up review by the December 31 deadline.

OTHER CLAIM PERIODS

In order to determine whether errors identified during the administrative review were corrected, it may be necessary to examine other claim periods in addition to the review period.

SELECTION PROCEDURES

SCHOOL FOOD AUTHORITY

SELECTION State agencies are encouraged to select and schedule school food authorities for follow-up reviews upon receipt of corrective action. It is not necessary to complete all administrative reviews for the school year prior to beginning the follow-up review selection process.

LARGE

SFA All large school food authorities exceeding a review threshold(s) must be selected for a follow-up review.

SMALL

SFA All small school food authorities meeting the criteria for a follow-up review must be considered in the selection process, including school food authorities with a single school.

To determine the minimum number of small school food authorities to select, it will be necessary to round up to the nearest whole number when calculating 25 percent of the total number of small school food authorities which meet the selection criteria. This will ensure that at least 25 percent are selected. For example, if there are 9 small school food authorities which meet the selection criteria, 25 percent of 9 results in 2.25. Using standard rounding rules would result in 2 small school food authorities selected and this would not meet the required 25 percent minimum. Rounding up to the nearest whole number would result in 3 small school food authorities and would ensure that 25 percent of the small school food authorities are selected for follow-up review.

In determining which small school food authorities to include in the 25 percent for follow-up, State agencies must make the selection based on the severity of the violations. Examples that may indicate severe violations include:

inaccurate consolidating and/or claiming at the school food authority or school levels;

systemic accountability errors such as inadequate meal count system(s);

large overclaims; and/or

significant lunch meal pattern violations.

SCHOOL

SELECTION If the critical areas(s) that contributed to the review threshold(s) being exceeded is limited to the school food authority level (e.g., centralized eligibility certification/benefit issuance/updating eligibility process, school food authority claim consolidation, or centralized kitchen errors), the follow-up review activity may be limited to the school

**POST REVIEW
FOLLOW-UP REVIEW**

If the critical area(s) that contributed to the review threshold(s) being exceeded was identified at the school level, at least the minimum number of schools required in the following table must be reviewed.

Number of Schools in the School Food Authority	Minimum Number of Schools to Review	Number of Schools in the School Food Authority	Minimum Number of Schools to Review
1 to 5	1	41 to 60.....	6
6 to 10.....	2	61 to 80.....	8
11 to 20.....	3	81 to 100.....	10
21 to 40.....	4	101 or More.....	12*
* 12 plus 5 percent of the number of schools over 100. Fractions must be rounded to the nearest whole number.			

**SELECTION
CRITERIA**

Select those schools that contributed to the school food authority exceeding a review threshold. However, if a school had a Performance Standard 2 violation that *contributed minimally* to the review threshold being exceeded, it is suggested that another school that was not previously reviewed be selected.

For example, 30 of the 120 lunches observed at one school were incomplete and in another school only one incomplete lunch was observed. Since the latter school contributed minimally to the violation, it is recommended that a new school be substituted. In order to provide a reasonable assurance that corrective action has been effective systemwide, the new school should utilize the same process that was in error in the previously reviewed school. For instance, if the violation was the result of incomplete lunches served in a satellite school, the substitute school should also be a satellite school.

If additional schools are needed to meet the minimum required number, select additional schools based on criteria developed by the State agency. It is suggested that schools be selected that have characteristics or use systems similar to the schools where problems had been identified. This approach will assist in the evaluation of whether corrective action was effective systemwide.

In the event that all schools selected for a follow-up review were reviewed during the administrative review, it is suggested that additional new schools be reviewed to ensure adequate procedures have been implemented systemwide.

SCOPE OF REVIEW

GENERAL

COMMENTS The administrative review examined numerous systems the school food authority had in place for the Program. The results of the review were used to determine if a follow-up review was needed.

The scope of the follow-up review must be sufficient to establish that effective corrective action has been implemented for any violation under either the critical or general areas of review. At the time of the follow-up review, at a minimum:

review those aspects of the critical areas, as defined on page 6-7, that contributed to the review thresholds being exceeded by the school food authority on a previous review;

determine whether corrective actions were satisfactorily completed within the timeframes established by the State agency;

evaluate whether corrective actions resolved the problem(s) systemwide; and

review those aspects of the critical areas that contributed to the review thresholds being exceeded in the School Breakfast Program, Special Milk Program for Children and/or afterschool care programs offering meal supplements, as applicable. If these programs were included in the administrative review and found to be satisfactory, they need not be re-reviewed.

The follow-up review is not intended to be a re-review of areas that were previously deemed adequate. The basic premise in following up on the identified violations is to focus on the specific finding(s) and determine if the system(s) is adequate. To accomplish this, the scope of the review activity will vary depending on the problem(s) identified.

This Guidance focuses only on procedures for review of the critical areas that contributed to the review thresholds being exceeded. The scope of the follow-up review for problems identified in general areas and in critical areas not exceeding the threshold(s) must be determined by the State agency. It is suggested, though not required, that the procedures for review of threshold violations provided in this Guidance be used to review critical areas not exceeding review thresholds.

DETERMINING

THE SCOPE Depending on the problem(s) identified during the administrative review and the school food authority's corrective action response, the follow-up review may be conducted at the school food authority and/or school level(s). The State agency must determine the type(s) of activity(ies) needed which may include:

observation of procedures at the school food authority level and in schools reviewed to ensure that corrective action was taken;

review of documents or other information that the school food authority submitted to the State agency in response to the administrative review;

examination of documentation of school food authority visits to previously reviewed schools and other schools to ensure that corrective action was implemented systemwide; and

evaluation of training materials or agendas, policy memorandums to schools, procedural manuals, etc., describing procedural changes.

THRESHOLD
VIOLATIONS

State agencies are required to review those aspects of the critical areas that contributed to the review thresholds being exceeded. This narrowed scope of review affords the State agency the flexibility to concentrate review efforts on problem areas, as appropriate. An optional form and instructions to identify the aspects of the critical areas on follow-up reviews is provided beginning on page 6-15. The four (4) aspects of Performance Standards 1 and 2 have been defined as follows:

Performance Standard 1

Eligibility Certification/Benefit Issuance/Updating Eligibility

School Food Authority Level Consolidating/Claiming

School Level Meal Counting/Claiming

Performance Standard 2

Meal Components

At the school food authority level and at the school(s) selected for follow-up review, review the aspect(s) of the critical area(s) that contributed to the school food authority exceeding the review threshold(s). If any part of an aspect contributed to exceeding a review threshold, the entire aspect must be included in the scope of the follow-up review.

In any other program(s) operated by the school food authority, the aspect(s) of the critical area(s) that contributed to the review threshold(s) being exceeded must be reviewed unless the other program(s) was evaluated at the time of the administrative review.

Review procedures for the four aspects of the critical areas that contributed to the review thresholds being exceeded are described within this *Guidance* beginning on page 6-9.

**POST REVIEW
FOLLOW-UP REVIEW**

**OTHER
VIOLATIONS**

Review procedures for critical area violations that do not exceed review thresholds and general area violations must be determined by the State agency.

**USE OF
FORMS**

The Coordinated Review forms and instructions prescribed by FNS must be used for any follow-up review. Only the section(s) of the forms pertaining to the aspect(s) of the critical area(s) that contributed to the school food authority exceeding the review threshold(s) on the administrative review needs to be completed. When reviewing other aspects of the critical areas, general areas and/or the other program(s), use of the Coordinated Review forms and instructions is encouraged but not required. The State agency must maintain documentation of the findings for all follow-up reviews in these areas.

After the follow-up review has been completed, complete SCHOOL FOOD AUTHORITY PERFORMANCE STANDARD SUMMARY, SFA-1, to determine if the review thresholds were exceeded, thereby requiring a subsequent follow-up review.

REVIEW PROCEDURES

GENERAL COMMENTS

Depending on the findings from the administrative review, the follow-up review may be conducted at the school food authority level, in a school reviewed during the administrative review (a re-reviewed school), in a school that was not selected at the time of the administrative review (a new school), and of other programs.

If not previously determined, corrective action must be confirmed for specific errors identified at the time of the administrative review at the school food authority level and in re-reviewed schools.

All critical area violations that did not contribute to the review threshold(s) being exceeded and general area violations identified during the administrative review must be evaluated using procedures determined by the State agency. These procedures must be sufficient to determine if effective corrective action was implemented.

This section describes only those follow-up procedures that must be used to review aspects of the critical areas that contributed to the review thresholds being exceeded during the administrative review. The reviewer must be cognizant of the cause(s) of any errors that resulted in the review threshold(s) being exceeded during the administrative review. Actions required as a result of the follow-up review will vary depending upon whether the follow-up review threshold(s) was exceeded for the same or a different cause(s). Refer to Summary of Required Actions, 6-27.

SCHOOL FOOD AUTHORITY LEVEL

The follow-up review may be confined to the school food authority level if the critical area violation(s) responsible for follow-up review activity was limited to school food authority level problems, such as:

centralized eligibility certification/benefit issuance/updating eligibility errors;
and/or

school food authority claim consolidation errors; and/or

centralized kitchen errors.

THRESHOLD VIOLATIONS

The three (3) aspects of the critical areas that may need to be reviewed at the school food authority level include:

Centralized Eligibility Certification/Benefit Issuance/Updating Eligibility: Although a review of the centralized eligibility certification process can be conducted at the school food authority level, the minimum number of schools must be selected so that applications may be selected from these schools. Use procedures for RE-REVIEWED SCHOOLS, page 6-10.

**POST REVIEW
FOLLOW-UP REVIEW**

School Food Authority Consolidating and Claiming: Determine the accuracy of the process for the follow-up review period. Complete Critical Areas of Review, SFA-2, 103, and 104.

Meal Components: If the review threshold for Performance Standard 2 was exceeded during the administrative review due to an error that occurred at the central kitchen, the follow-up may be limited to a review of the central kitchen in certain situations. These situations are as follows:

the central kitchen did not plan for or prepare all required food items/components; or

the central kitchen did not send one or more items/components to the school(s).

Determine if all required food items/components were available on the day(s) of the follow-up review. Complete one copy of S-3, 304, and indicate that findings apply to all schools served by the central kitchen.

If problems were also identified during the administrative review in menu records or other documentation for the review period, evaluate those records for the follow-up review period. Complete one copy of S-4, 407, and indicate that findings apply to all schools served by the central kitchen.

Depending on the findings at the central kitchen, school reviews may be necessary to determine if corrective action has been effective. If school reviews are conducted, follow the procedures for RE-REVIEWED SCHOOLS and/or NEW SCHOOLS.

**OTHER
CORRECTIVE
ACTION**

If not previously determined, effective corrective action for any errors identified at the time of the administrative review must be confirmed.

Review procedures for critical area violations that did not exceed review thresholds and general area violations must be determined by the State agency.

**RE-REVIEWED
SCHOOLS**

State agencies are not required to re-review aspects of the critical areas that were determined to be accurate during the administrative review.

**THRESHOLD
VIOLATIONS**

The three (3) aspects of the critical areas that may need to be reviewed in re-reviewed schools include:

Eligibility Certification/Benefit Issuance/Updating Eligibility: The administrative review for this aspect evaluated three areas: eligibility certification, benefit issuance and updating eligibility. In order to allow the State agency to focus on problem areas, if the follow-up review period is in the same school year as the administrative review period, the follow-up review may be limited to a re-evaluation of the area(s) where problems were identified. For example, if there were no errors in eligibility certification during the

administrative review, but numerous errors in benefit issuance, the follow-up review may be limited to re-review of the benefit issuance document(s). However, if there was an error in both the eligibility certification and benefit issuance procedures, both areas would have to be re-reviewed.

If the follow-up review period is in the following school year, the entire aspect must be re-evaluated using the eligibility certification and benefit issuance documents for the new school year.

Eligibility Certification Errors: Complete Critical Areas of Review, S-2, 201.

If the problems were identified in the application approval process, complete 201a. and 201b. If the follow-up review period is in the same school year as the administrative review period, review those applications active for the follow-up review period that were approved after the administrative review period.

If problems were identified in direct certification, complete 201c.

Benefit Issuance Errors: Complete Critical Areas of Review, S-2, 202.

In schools that were reviewed during the administrative review, review of benefit issuance may be limited to those students who entered the school or changed eligibility category after the administrative review period and were active during the follow-up review period if:

the follow-up review period is in the same school year as the administrative review period; and,

the school continually updates the same benefit issuance document either manually or by updating a computer data base. In these cases, there is an assurance that the eligibility categories for students already reviewed during the administrative review are still correct.

Updating Eligibility Errors: Complete Critical Areas of Review, S-2, 203.

School Level Meal Counting/Claiming: Since all components of the counting and claiming system are interrelated, the entire aspect must be evaluated. The reviewer must evaluate the Day of Review counting and claiming procedures as well as documentation from the follow-up review period. Complete Critical Areas of Review, S-1, 13; S-3, 301, 302 and 303; and S-4, 401, 402, 403, 404, 405, and 406.

Meal Components: This aspect consists of two parts: determining if required food items/components are available throughout the meal service, and observing lunches served to determine whether the system used by the school ensures that students are selecting the required number of food items for the lunches to be claimed for reimbursement. Both parts of this aspect must be reviewed. Complete Critical Areas of Review, S-3, 304 and 305.

**POST REVIEW
FOLLOW-UP REVIEW**

In addition, if problems were identified during the administrative review in menu records or other documentation for the review period, review those records for the follow-up review period and complete Critical Areas of Review, S-4, 407.

**OTHER
CORRECTIVE
ACTION**

If not previously determined, effective corrective action for any errors identified at the time of the administrative review must be confirmed.

Review procedures for critical area violations that did not exceed review thresholds and general area violations must be determined by the State agency.

NEW SCHOOLS

For each new school selected, each aspect of the performance standard that contributed to the school food authority exceeding the review threshold must be reviewed. Although not required, if time is available, it is suggested that all of the critical and general areas in these schools be reviewed.

**THRESHOLD
VIOLATIONS**

The three (3) aspects of the critical areas that may need to be reviewed in new schools include:

Eligibility Certification/Benefit Issuance/Updating Eligibility: Complete Critical Areas of Review, S-2, 201, 202 and 203.

School Level Meal Counting/Claiming: Complete Critical Areas of Review, S-1,13; S-3, 301, 302 and 303; and S-4, 401, 402, 403, 404, 405 and 406.

Meal Components - Complete Critical Areas of Review, S-3, 304 and 305; and S-4, 407.

**OTHER
CORRECTIVE
ACTION**

To ensure that effective corrective action has been taken systemwide, the State agency must determine whether effective corrective action has been taken for errors identified at the time of the administrative review. Review procedures for critical area violations that did not exceed review thresholds and general area violations must be determined by the State agency.

**OTHER
PROGRAMS**

If the other programs were not reviewed at the school food authority level and in all reviewed schools during the administrative review, those aspects of the critical areas that contributed to the review threshold(s) being exceeded must be reviewed for these programs at the school food authority level and in all schools selected for a follow-up review.

THRESHOLD
VIOLATIONS

The three (3) aspects of the critical areas that may need to be reviewed at the school food authority level include:

Centralized Eligibility Certification/Benefit Issuance/Updating Eligibility: Use procedures for RE-REVIEWED SCHOOLS, page 6-10.

School Food Authority Consolidating and Claiming: Determine the accuracy of the process for the follow-up review period. Follow the procedures for Critical Areas of Review, SFA-2, 103, and 104.

Meal Components: If the review threshold for Performance Standard 2 was exceeded during the administrative review due to an error that occurred at the central kitchen, the follow-up may be limited to a review of the central kitchen in certain situations. Refer to SCHOOL FOOD AUTHORITY LEVEL, page 6-10.

The three (3) aspects that may need to be reviewed at the school level include:

Eligibility Certification/Benefit Issuance/Updating Eligibility: Follow procedures for Critical Areas of Review, S-2, 201, 202 and 203.

School Level Meal Counting/Claiming: Follow procedures for Critical Areas of Review, S-1, 13; S-3, 301, 302 and 303; and S-4, 401, 402, 403, 404, 405 and 406.

Meal Components: Follow procedures for Critical Areas of Review, S-3, 304 and 305; and S-4, 407.

OTHER
CORRECTIVE
ACTION

To ensure that effective corrective action has been taken systemwide, the State agency must determine whether effective corrective action has been taken for errors identified at the time of the administrative review. Review procedures for critical area violations that did not exceed review thresholds and general area violations must be determined by the State agency.

ADDITIONAL
FOLLOW-UP
REVIEW(S)

For both large and small school food authorities that exceed a review threshold on the first follow-up review or any subsequent follow-up review(s), additional follow-up review is required. On an individual school food authority basis, the Food and Nutrition Service Regional Office (FNSRO) may approve an exception to the additional follow-up review requirement.

EXIT CONFERENCE AND NOTIFICATION

At the close of the follow-up review, communicate the findings to the appropriate officials. Required and suggested actions for the exit conference should parallel the procedures described on page 6-1. In addition, if the findings from the follow-up review indicate that withholding of payments is necessary, this information may be communicated during the exit conference.

Required and suggested content for a notification letter reporting review results appears in Appendix, page 9-4.

POST REVIEW OPTIONAL FORM

BLOCK 10 BLOCK 12 BLOCK 14

**POST REVIEW
FORM INSTRUCTIONS**

**INSTRUCTIONS FOR ASPECTS OF CRITICAL AREAS
ON FOLLOW-UP REVIEWS**

GENERAL

COMMENTS

Once a school food authority has been selected for a follow-up review, this optional form is designed to:

identify those review threshold violations that require a follow-up review at the SFA level;

identify those schools that were reviewed at the time of the administrative review and require a follow-up review due to review threshold violations;

identify those aspects of the critical areas that must be reviewed for the schools previously reviewed; and

list additional schools selected for follow-up, if needed, to meet the minimum number required by regulation, and identify those aspects of the critical areas that must be reviewed for the additional schools selected.

After the follow-up review has been conducted, this form can also be used to:

identify and document new and continuing review threshold violations; and

assist reviewers in determining whether funds must be withheld from the SFA for continuing violations.

INSTRUCTIONS

Enter the name of the SFA, the date of the administrative review, and the minimum number of schools that must be reviewed using the table on page 6-5.

ADMINISTRATIVE REVIEW - Complete Block 1 through Column 6 using the findings from the administrative review.

Block 1: Indicate whether the review thresholds for Performance Standards 1 and/or 2 were exceeded. This information can be obtained from the last line on SFA-1.

Block 2: Enter Y for yes or N for no to indicate whether there was an adequate consolidation system at the SFA level. This information is obtained from SFA-1, Block 3. Enter Y if the system was adequate and N if the system was inadequate. If the answer in this block is N, School Food Authority Level Consolidating/Claiming must be reviewed during the follow-up review.

Column 3: List the names of all schools reviewed at the time of the administrative review. This information is obtained from SFA-1, block 4. Use a second page, if necessary. Draw a line when all schools have been recorded.

**POST REVIEW
FORM INSTRUCTIONS**

Column 4: **≥ 10% CLAIMED INCORRECTLY:** If errors in Eligibility Certification/Benefit Issuance/Updating Eligibility contributed to the school food authority exceeding the PS 1 threshold, place a check mark next to those schools in which 10% or more (but not less than 100) free and reduced price lunches were claimed incorrectly (**≥ 10% CLAIMED INCORR**). Refer to the appropriate column on SFA-1, Block 4, for this information. Otherwise, leave the column blank.

Columns 4 a, b, and c: For any school with a check mark in Column 4, place a check mark in the appropriate column if there were **any** errors in the eligibility certification (Column a), benefit issuance (Column b), or updating eligibility (Column c) that contributed to the school claiming 10% or more free and reduced price lunches incorrectly. Refer to S-5 for each school to determine whether the error(s) was in eligibility certification, benefit issuance, and/or updating eligibility. Since both benefit issuance and updating eligibility errors are entered under "Benefit Issuance Errors" on S-5, refer to S-5 and S-2, 202a. and 203 for the individual school(s) to isolate where the errors occurred and the cause of the errors.

For any column with a check mark, that area of PS 1 must be reviewed in that school during the follow-up review. Refer to RE-REVIEWED SCHOOLS, Eligibility Certification/Benefit Issuance/Updating Eligibility, page 6-10, for additional information.

Column 5: **INADEQUATE COUNT SYSTEM:** If school level meal counting/claiming contributed to the SFA exceeding the PS 1 threshold, place a check mark next to the schools where a No appears under either the Day or Review Period column of SFA-1, Block 4. Otherwise, leave the column blank.

For any school with a check mark in Column 5, meal counting and claiming must be reviewed in that school during the follow-up review. Refer to RE-REVIEWED SCHOOLS, School Level Meal Counting/Claiming, page 6-11, for additional information.

Column 6: **# OF MEALS INCOMPLETE:** If the SFA exceeded the review threshold for PS 2, enter the number of incomplete lunches observed in each school. Refer to the appropriate column on SFA-1, Block 4, for this information. Otherwise, leave the column blank.

For any school with one or more incomplete lunch(es) noted in Column 6, PS 2 must be reviewed in that school during the follow-up review, except in limited situations (hence the reason to enter numbers in Column 6 instead of a check mark) as explained in SELECTION CRITERIA, page 6-5. Refer to RE-REVIEWED SCHOOLS, Meal Components, page 6-11, for additional information.

**SCHOOL
SELECTION**

Line through any school listed that does not have a check mark(s) in columns 4 or 5, or a number in column 6.

**POST REVIEW
FORM INSTRUCTIONS**

Determine the schools to visit using the following criteria:

All schools that have not been lined through must be reviewed at the time of the follow-up review up to the minimum number of schools required. Refer to SCHOOL SELECTION, page 6-5, for additional information.

If the number of schools remaining is less than the required number, new schools must be selected to meet the minimum number required.

The new schools selected must be added to Column 3. For these schools, place check marks in columns 4 and a, b, and c if a check mark exists in any of these columns for the previously reviewed schools. Place a check mark in Column 5 if a check mark appears in Column 5 for any of the previously reviewed schools and place a check mark in Column 6 if a number exists in Column 6 for any of the previously reviewed schools. Check marks in any Column indicate that these aspects of the critical areas contributed to the review threshold(s) being exceeded for the schools reviewed during the administrative review and must be reviewed in the new schools.

FOLLOW-UP REVIEW - Complete Block 7 through Block 14 using the findings from the follow-up review.

Block 7: Indicate whether the review thresholds for Performance Standards 1 and/or 2 were exceeded during the follow-up review. This information can be obtained from the last line on SFA-1 that was completed for the follow-up review. If the answer to one or both questions is Y, subsequent follow-up review is required.

Block 8: If School Food Authority Level Consolidating/Claiming was reviewed during the follow-up review, enter a Y or N to indicate whether there was an adequate consolidation system at the SFA level. This information is obtained from SFA-1, Block 3 that was completed for the follow-up review. Enter Y if the system was adequate and N if the system was inadequate. If School Food Authority Level Consolidating/Claiming was not reviewed enter NA.

If the answer to Block 8 is N indicate with a Y or N whether the system was not adequate due to the same cause as the previous review. If it was the same cause, refer to Withholding Payments, page 6-24.

Column 9: **≥ 10% CLAIMED INCORRECTLY:** If errors in Eligibility Certification/Benefit Issuance/Updating Eligibility contributed to the school food authority exceeding the PS 1 threshold during the follow-up review, place a check mark next to those schools in which 10% or more (but not less than 100) free and reduced price lunches were claimed incorrectly (**≥ 10% CLAIMED INCORR**). Refer to the appropriate column on SFA-1, Block 4, that was completed for the follow-up review for this information. Otherwise, leave the column blank.

**Columns 9 a,
b, and c:**

For any school with a check mark in Column 9, place a check mark in the appropriate column a, b and/or c if there were **any** errors in eligibility certification, benefit issuance, or updating eligibility that contributed to the school claiming 10% or more free and reduced price lunches incorrectly. Refer to S-5 for each school that was completed during the follow-up review to determine whether the error(s) was in eligibility certification, benefit issuance, and/or updating eligibility. Since both benefit issuance and updating eligibility errors are entered under "Benefit Issuance Errors" on S-5, refer to S-5 and S-2, 202a. and 203 for the individual school(s) to isolate where the errors occurred and the cause of the errors.

For any column with a check mark, that area of PS 1 must be reviewed in that school during a subsequent follow-up review.

Block 10: SAME CAUSE: If there are no check marks in Column 9, place an NA in block 10.

If one or more schools has a check mark in Column 9, compare the error(s) to those identified during the administrative review. Determine if the cause(s) of the error(s) identified during the follow-up review was the same as the cause(s) of the error(s) identified during the administrative review.

If any of the check marks in Columns 9 a, b, and/or c resulted from a same cause as any of the check marks in Columns 4 a, b, and/or c, even if the same cause is in a different school from the administrative review, place a Y in Block 10. Otherwise, place a N in Block 10.

DECISION - If Block 7 a. is Y and Block 10 is Y, the review threshold for PS 1 has been exceeded on the follow-up review for a same cause as found on the administrative review. Refer to Withholding Payments, page 6-24, for additional information.

Column 11: INADEQUATE COUNT SYSTEM: If school level meal counting/claiming contributed to the SFA exceeding the PS 1 threshold during the follow-up review, place a check mark next to the schools where a No appears under either the Day or Review Period column of SFA-1, Block 4, that was completed for the follow-up review. Otherwise, leave the column blank.

Block 12: SAME CAUSE: If there are no check marks in Column 11, place NA in Block 12.

If one or more schools has a check mark in Column 11, compare the cause(s) of the inadequate counting and claiming system for all schools with a check mark in Column 5, with the cause(s) for all schools with a check mark in Column 11. If any of the causes are the same, even if the same cause is in a different school from the administrative review, place Y in Block 12.

DECISION - If Block 7 a. is Y and Block 12 is Y, the review threshold for PS 1 has been exceeded on the follow-up review for a same cause as found on the administrative review. Refer to Withholding Payments, page 6-24, for additional information.

**POST REVIEW
FORM INSTRUCTIONS**

Column 13: # OF MEALS INCOMPLETE: If the SFA exceeded the review threshold for Meal Components during the follow-up review, i.e., Block 7 b. is answered Y, enter the number of incomplete lunches observed in each school. Refer to the appropriate column on SFA-1, Block 4, that was completed for the follow-up review for this information. Otherwise, leave the column blank.

Block 14: SAME CAUSE: If there are no numbers entered in Column 13, place NA in Block 14.

If one or more schools has a number recorded in Column 13, compare the cause(s) of the incomplete lunches for all schools with a number in Column 6 with the cause(s) for all schools with a number in Column 13. If any of the causes are the same, even if the same cause is in a different school from the administrative review, place Y in Block 14.

DECISION - If Block 7 b. is Y and Block 14 is Y, the review threshold for PS 2 has been exceeded on the follow-up review for a same cause as found on the administrative review. Refer to Withholding Payments, page 6-24, for additional information.

FISCAL ACTION AS A RESULT OF FOLLOW-UP REVIEWS

CALCULATING FISCAL ACTION

GENERAL RULES

Fiscal action for follow-up review deficiencies must be calculated using the administrative review fiscal action procedures unless the modifications contained in this section apply. Refer to Fiscal Action Guidance, pages 7-1 through 7-25, for information on calculating fiscal action.

REQUIRED FORMS

All forms necessary to calculate fiscal action must be completed. Any entry on the fiscal action forms that does not apply may be lined out.

EXCEPTIONS TO COMPLETING THE FISCAL ACTION FORMS

The State agency is not required to complete the fiscal action forms when the overclaim will be disregarded or the underclaim will not be paid. However, the principles for fiscal action provided in this Guidance must be used to determine the amount of the disregard or underclaim. In addition, documentation containing sufficient information to complete the FNS-640, Data Report, Coordinated Review Effort, must be retained.

OVERCLAIM DISREGARD

The State agency may disregard a Coordinated Review overclaim that results from a follow-up review in the following situations:

the follow-up review is conducted in the same fiscal year as the administrative review and the total overclaim per program (NSLP, SBP or SMP) for both reviews combined is \$600 or less; or

the follow-up review is conducted in the next fiscal year and the total overclaim per program resulting from the follow-up review is \$600 or less. If more than one follow-up review is conducted during the same fiscal year, the total overclaim per program from all reviews combined must be \$600 or less.

GENERAL AREAS

OF REVIEW

State agencies that do not routinely assess fiscal action for General Areas of Review deficiencies are encouraged to assess fiscal action when serious problems are identified in the areas of verification and recordkeeping on the follow-up review.

POST REVIEW FISCAL ACTION FROM FOLLOW-UP

FISCAL ACTION

TIMEFRAMES The fiscal action timeframes given in Fiscal Action Guidance, pages 7-2 through 7-12, are used to calculate fiscal action for errors identified on the follow-up review with the following adjustments.

CERTIFICATION AND BENEFIT ISSUANCE

ERRORS The provision for limiting fiscal action from the beginning of the review period through the point that corrective action occurs is only applicable for the administrative review. Therefore, the limited fiscal action specified on 7-6 cannot be used for follow-up reviews. The Start Date of Error for errors identified during the follow-up review must be determined using the guidelines from page 7-2 and this section.

START DATE OF ERROR

The Start Date of Error for follow-up reviews depends on whether the error is the same error identified on the administrative review, regardless of the cause, or a new error. For example, if an inadequate meal count system was identified during the administrative and follow-up review, the same error exists. On the other hand, if an inadequate meal count system was identified during the administrative review and incomplete meals were observed during the follow-up review, a new problem was identified.

Same Error: If the same problem(s) was identified on the follow-up review, that is corrective action was not effective or was not taken for errors identified on the administrative review, use the Start Date of Error established during the administrative review.

Certification and benefit issuance errors identified during the administrative review that were corrected within the established timeframes are not subject to additional fiscal action.

New Error: When the follow-up review identifies a new problem, use the information on 7-2 to establish the Start Date of Error.

PREVENTING DUPLICATE CLAIMS

When administrative review fiscal action was paid (underclaim) or recovered (overclaim), adjustments to follow-up review fiscal action for the same problem may be necessary.

The following examples illustrate two types of adjustments that may be necessary to prevent duplicate claims.

Example 1:

A meal counting error was found during the administrative review. Based on the new counts submitted by the school food authority, it appeared that the error was corrected in May. Claims were recalculated from September through April.

**POST REVIEW
FISCAL ACTION FROM FOLLOW-UP**

The overclaim was recovered from the school food authority resulting in meal count adjustments for the September through April period.

When the State agency returned in October of the following school year, it was determined that corrective action had not been taken and the meal counts were still in error. Because corrective action was not taken, the September through April recalculated meal counts were incorrect. Since these counts are the most recent claim amounts, follow-up fiscal action must be calculated using this adjusted claims data. The start date of error for the follow-up review is the September date identified during the administrative review.

Example 2:

Certification errors for 100 students were found on the administrative review. All of the errors occurred on the date of approval, September 15. Based upon the school food authority's timely submission of adequate corrective action, fiscal action was calculated for the 100 certification errors from the first serving day of the review period (January) to the date of corrective action (April 1). For purposes of this example, meal service occurred on 55 days during the January to April 1 period and the participation factor was .90. The overclaim was not disregarded.

On the follow-up review, conducted during the next school year, the State agency determined that corrective action was not taken for 5 of the certification errors. The start date of error is September 15 of the prior school year. The last serving day of that school year was June 6 with 184 total serving days in the school year. The students are not enrolled in the school for the current school year, therefore the last day of the errors was the last serving day of the previous school year. Fiscal action is calculated on 129 days $(184 - 55) \times 5$ (students) $\times .90$ (participation factor).

**POST REVIEW
WITHHOLDING PAYMENTS**

WITHHOLDING PAYMENTS

**REQUIRED
WITHHOLDING**

**CRITICAL
AREAS**

The State agency must withhold Program payments in the following situations:

the school food authority fails to submit documented corrective action by the established due date, including approved extensions, for a Performance Standard 1 or Performance Standard 2 violation that exceeded the review threshold;

the school food authority submitted documented corrective action by the established due date, however, the State agency finds that corrective action for a *critical area* violation that exceeded the review threshold was not in fact, completed; and/or

if, on a follow-up review, the State agency finds a critical area violation that exceeded the review threshold on a previous review and continues to exceed the review threshold for a same cause.

When the State agency determines that it is not in the best interest of the Program to withhold 100 percent of Program payments, anywhere from 40 to 100 percent may be withheld. Factors that may be considered when determining the amount to withhold include:

the ability of the school food authority to continue to provide meals to students during the time it takes to complete corrective action; or

the willingness of the school food authority to complete corrective action on a timely basis. For example, consideration can be given when circumstances beyond the control of the school food authority have caused required corrective action to be delayed beyond the established due dates and approved extensions.

**FNS
APPROVAL**

Withholding of less than 40 percent of Program payments may only occur when FNSRO determines that it is in the best interest of the Program. The State agency must submit a written request to FNSRO that includes the following information:

the name of the SFA;

the date(s) of the administrative/follow-up review(s);

**POST REVIEW
WITHHOLDING PAYMENTS**

a description of the critical area violation(s) identified during the administrative review, required corrective action, and the school food authority response;

results of the follow-up review(s), if applicable;

the withholding percentage requested; and

the State agency's rationale for withholding less than 40 percent of Program payments including the adverse effect that a higher withholding amount would have on the school food authority.

**FAILURE TO
WITHHOLD**

FNSRO may suspend the Program or withhold Program payments and State Administrative Expense funds, in whole or in part, for those State agencies failing to withhold Program payments as required in 7 CFR Part 210.18.

**DISCRETIONARY
WITHHOLDING**

The State agency may withhold payments for critical areas of review violations that do not exceed review thresholds and for general areas of review violations. For example, discretionary withholding of payments may be appropriate if:

corrective action is not complete or not submitted within established timeframes; and/or

corrective action, as specified in the documented corrective action, was not taken.

FNSRO approval for discretionary withholding of payments is not required.

**SFA
NOTIFICATION**

The State agency must provide the school food authority with the right to appeal any decision to withhold payments. The contents of the notification must parallel the information in Appendix, LETTER OF CLAIM ADJUSTMENT AND/OR WITHHOLDING OF PAYMENT INCLUDING NOTICE OF APPEAL, page 9-5.

EFFECTIVE DATE

Withholding of Program payments must begin immediately upon notification to the school food authority. Payments must be withheld for any original or upward adjusted claim, regardless of the date submitted to the State agency. Downward adjustments to previously paid claims may be processed during the withholding period.

**POST REVIEW
WITHHOLDING PAYMENTS**

DURATION The State agency must promptly release withheld Program payments in the proper amount when:

all required corrective action is completed;

documentation of corrective action is received;

any subsequent follow-up review, as required, is completed; and

the State agency has determined the corrective action was successful.

**CLAIM SUBMISSION
DURING
WITHHOLDING**

Since the school food authority continues to earn Program payments during a period of *withholding*, the school food authority must continue to submit Claims for Reimbursement on a timely basis.

**REPORTING
REQUIREMENTS**

SF-269 State agencies must report withheld payments as an unliquidated obligation on the SF-269. Any portion of unliquidated obligated funds resulting from withholding of payments must be identified in the footnote section of the form.

FNS-10 Include meal count data from withheld claims on the appropriate monthly FNS-10 report.

SUMMARY OF REQUIRED ACTIONS

POST REVIEW ACTION SUMMARY

